

**CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION
INDUSTRIAL DEVELOPMENT BONDS**

Meeting Date: February 27, 2008

Request for Initial and Final Resolution for Tax Exempt Bond Approval

Prepared by: *Deanna Hamelin*

Issuer:	California Enterprise Development Authority (CEDA)	Amount Requested:	\$7,000,000
Borrower:	Evapco Inc.	Application No.:	08-0006
User:	Evapco, Inc.	IR & FR No.:	08-0006
Location:	City of Madera (Madera County)		

Borrower/User/Background: Evapco Inc. (the “Company”) was incorporated in Baltimore, Maryland on June 14, 1976. The Company manufactures heat transfer equipment for the refrigeration and air conditioning markets. The products include Evaporative Condensers, Cooling Towers, Closed Circuit Coolers, Evaporators, Pressure Vessels, and Process Air Systems. Evapco currently operates eight facilities in the United States, two facilities in Europe, and two facilities in China. The Company primarily sells its products to refrigeration and air conditioning contractors that serve the food and beverage industries, the power industry, non-residential construction, and other industrial markets.

Project Information: The current facility in Madera is running at maximum capacity. In order to meet current and future demand for its evaporative cooling product, the Company must expand. Bond proceeds will be used for the construction of a new, 40,000 square foot manufacturing facility located at the Company’s current site in the City of Madera. In addition, bond proceeds will be used for the acquisition and installation of manufacturing machinery for the new building and construction of additional outside concrete yard space for storage.

Anticipated Timeline: The construction of the new building began in late December 2007 and is anticipated to be completed by late June or early July 2008. The Company represents that installation of the equipment is expected to begin in April/May 2008 and is anticipated to be completed by June 2008.

Prior Actions/Financing: The Company currently has \$657,000 in outstanding tax-exempt bond financings at its only California-based facility in the City of Madera.

Local Government Support: The Company provided a letter from Ms. Sally Bomprezzi, Mayor of the City of Madera, in support of the project. (See Attachment A.)

Statutory Criteria: 1) Public Benefits, 2) Relocation and 3) Bond Issue Qualification. Points have been awarded based on evaluation consistent with CDLAC guidelines. CDLAC does not require the evaluation of points for all statutory criteria.

PUBLIC BENEFITS: Consistent with CDLAC guidelines, the staff has awarded a total of 38 verifiable points to the Project. Although none of the 38 points assigned are based upon the creation and retention of jobs, the Company employs 177 individuals in California and expects to hire an additional 33 people within two years of the Project completion.

RELOCATION OF COMPANY OPERATIONS (No point evaluation required): The Company will remain at its current location in the City of Madera.

QUALIFICATION OF BOND ISSUANCE (No point evaluation required): Based upon the proposed financial structure, and based upon the application and other materials submitted to CIDFAC for the proposed Project, staff believes the bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just, and equitable to a purchaser of the bonds; and (c) will not work a fraud upon the bond purchaser. Final determination of qualification of the bonds will be subject to review of final bond documents prior to the issuance of bonds.

Status Of Permit/Other Required Approvals:

- The California Enterprise Development Authority (CEDA) approved a Reimbursement Resolution in an aggregate amount not to exceed \$7,500,000 for the Project on September 24, 2007, which served to induce the Project for federal tax purposes, and confirmed the Resolution on December 18, 2007.
- No additional land use or zoning approvals or permits are required for this Project.
- A TEFRA hearing was held by the County of Madera on December 11, 2007, and no comments supporting or opposing the Project were received.

Financing Details:

The tax-exempt IDBs will be sold in a public offering. The bonds will be variable rate bonds with a maturity date not greater than 25-years and will be secured by an irrevocable Letter of Credit issued by Manufacturers and Traders Trust Company. Due to its long-standing relationship with the Company, Manufacturers and Traders Trust Company will not require Evapco to pledge collateral for the LOC. This arrangement is a credit matter between the Company and the bank. As with other LOC secured bond transactions, bondholders will look to the LOC to secure their investments. The bonds are expected to be rated A/A-1.

Financing team:

Issuer: CEDA
Bond Counsel: Kutak Rock LLP
Credit Enhancement Provider: Manufacturers and Traders Trust Company
Placement Agent/Remarketing Agent: Manufacturers and Traders Trust Company

Legal Questionnaire: The Staff has reviewed the Borrower's/User's responses to the questions contained in the Legal Status portion of the Application. There was no information disclosed that raises questions concerning the financial viability or legal integrity of the Borrower/User.

Recommendation: Staff recommends approval of Initial and Final Resolution No. 08-0006 for an amount not to exceed \$7,000,000 in tax-exempt bonds for Evapco, Inc., subject to staff analysis and approval of final bond documents, and the receipt of bond counsel's opinion and CDLAC allocation approval, as set forth in Initial and Final Resolution No. 08-0006.

EVAPCO INC.

Bond Amount: \$7,000,000

City of Madera (Madera County)

Application No. 08-0006

February 27, 2008

STAFF SUMMARY – CIDEAC

Prepared by: *Deanna Hamelin*

ISSUE:

On behalf of Evapco, Inc. (the “Company”), and/or related or affiliated parties, the California Enterprise Development Authority (“CEDA” or the “Issuer”) requests approval of the Initial and Final Resolution No. 08-0006 for an amount up to \$7,000,000. Bond proceeds will be used for the construction of a new, 40,000 square foot manufacturing building at the Company’s existing site in the City of Madera. In addition, bond proceeds will be used for the acquisition and installation of manufacturing equipment and construction of additional outside concrete yard space for storage.

CDLAC. The Company anticipates receiving allocation at the March 26, 2008 CDLAC meeting.

BORROWER/USER:

Evapco Inc. (the “Company”) was incorporated in Baltimore, Maryland on June 14, 1976. The Company manufactures heat transfer equipment for the refrigeration and air conditioning markets. The products include Evaporative Condensers, Cooling Towers, Closed Circuit Coolers, Evaporators, Pressure Vessels, and Process Air Systems. Evapco currently operates eight facilities in the United States, two facilities in Europe, and two facilities in China. The Company primarily sells its products to refrigeration and air conditioning contractors that serve the food and beverage industries, the power industry, non-residential construction, and other industrial markets.

The principal stockholders of the Company are as follows:

Evapco Employee Stock	
Ownership Plan.....	55%
William E. Kahlert.....	29%
Shareholders with less	
than 10% ownership.....	16%
Total:	100%

Legal Questionnaire. The Staff has reviewed the Borrower’s/User’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raises questions concerning the financial viability or legal integrity of the Borrower/User.

Prior Actions and Financings. The Company currently has \$657,000 in outstanding tax-exempt bond financings at its only California-based facility in the City of Madera.

LOCAL GOVERNMENT SUPPORT:

The Company provided a letter from Ms. Sally Bompreszi, Mayor of the City of Madera, in support of the project. (See Attachment A.)

PROJECT INFORMATION:

The current facility in Madera is running at maximum capacity. In order to meet current and future demand for its evaporative cooling product, the Company must expand. Bond proceeds will be used for the construction of a new, 40,000 square foot manufacturing facility located at the Company's current site in the City of Madera. In addition, bond proceeds will be used for the acquisition and installation of manufacturing machinery for the new building and construction of additional outside concrete yard space for storage.

The anticipated Project costs are listed below:

Construction of New	
Building.....	\$4,500,000
Acquisition/Installation	
of New Equipment	2,500,000
Total:	<u>\$7,000,000</u>

Anticipated Timeline. The construction of the new building began in late December 2007 and is anticipated to be completed by late June or early July 2008. The Company represents that installation of the equipment is expected to begin in April/May 2008 and is anticipated to be completed by June 2008.

Status of Permit/Other Required Approvals:

- The California Enterprise Development Authority (CEDA) approved a Reimbursement Resolution in an aggregate amount not to exceed \$7,500,000 for the Project on September 24, 2007, which served to induce the Project for federal tax purposes, and confirmed the Resolution on December 18, 2007.
- No additional land use or zoning approvals or permits are required for this project.
- A TEFRA hearing was held by the County of Madera on December 11, 2007, and no comments supporting or opposing the Project were received.

STATUTORY CRITERIA: 1) Public Benefits, 2) Relocation and 3) Bond Issue Qualification. Points have been awarded based on evaluation consistent with CDLAC guidelines. CDLAC does not require the evaluation of points for all statutory criteria.

- 1) **PUBLIC BENEFITS:** The staff assigned a total of 38 verifiable points to the Project, which are detailed below:

Community Economic Need (25 points):

Unemployment Rate (10 points): The unemployment rate for the Project area is 10.1%, while the statewide average unemployment rate in California is 4.9%.

Therefore, the unemployment rate for the Project area is 206% of the statewide rate.

Poverty Rate (5 points): The poverty rate of the Project area is 20.9%, which is 197% of the statewide average of 10.6%.

Special Designation Area (5 points): The Company provided a letter from Ms. Sally J. Bomprezzi, Mayor of the City of Madera, indicating that the project area is in a State-designated Enterprise Zone. (See Attachment A.)

Median Family Income (5 points): The Project is located in the City of Madera census tract 5.02, where the average median family income is \$33,688. That is 63.5 percent of the statewide average of \$53,025.

Employment Benefits (Job Creation/Retention (0 points): Although no points were awarded for the creation/retention of jobs, the Company currently employs 177 individuals at the Project site and expects to create 33 additional jobs within two years of completion of the project.

Welfare-to-Work Plan (5 points): The Company provided a letter from Mr. Hubert Walsh, Director of the Madera County Department of Social Services, which verifies its participation in the CalWORKS/Welfare-to-Work program. (See Attachment B.)

Health Care Benefits (0 points): No information was provided regarding healthcare benefits for the Company's employees.

Average Hourly Wage (3 points): The Company's average hourly wage is \$19.15, while the Metropolitan Statistical Area (MSA) for Bakersfield has an average manufacturing wage of \$ 16.33. Therefore, the Company's average hourly wage is 117% of the average manufacturing wage for the City of Bakersfield.¹

Land Use/Public Transit Corridor/Energy Efficiency (5 points):

Land Use (0 points): This Project does not involve the use of any vacant land or abandoned buildings.

Public Transit Corridor (5 points): The Company provided verification that the Project is located within a public transit corridor. The Project site is served by the Madera Area Express bus line.

¹ The Project Area is located in the Madera County MSA. However, the Employment Development Department (EDD) Labor Market Information Division does not collect and publish manufacturing wage data for the Madera County MSA. Therefore, Staff used data from the closest and most comparable MSA, which is the Bakersfield MSA.

Energy Efficiency (0 points): No information was provided regarding the energy efficiency of the new manufacturing facilities or the new equipment associated with this Project.

- 2) **RELOCATION OF COMPANY OPERATIONS (No point evaluation required):** The Company will remain at its current location in the City of Madera.
- 3) **QUALIFICATION OF BOND ISSUANCE (No point evaluation required):** Based upon the proposed finance structure, and based upon the application and other materials submitted to CIDFAC for the proposed Project, staff believes the bonds that will be issued in connection with the Project: (a) will be adequately secured; (b) will be fair, just, and equitable to a purchaser of the bonds; and (c) will not work a fraud upon the bond purchaser. Final determination of qualification of the bonds will be subject to review of final bond documents prior to the issuance of bonds.

FINANCING DETAILS:

The tax-exempt IDBs will be sold in a public offering. The bonds will be variable rate bonds with a maturity date not greater than 25-years and will be secured by an irrevocable Letter of Credit issued by Manufacturers and Traders Trust Company. Due to its long-standing relationship with the Company, Manufacturers and Traders Trust Company will not require Evapco to pledge collateral for the LOC. This arrangement is a credit matter between the Company and the bank. As with other LOC secured bond transactions, bondholders will look to the LOC to secure their investments. The bonds are expected to be rated A/A-1.

FINANCING TEAM:

Issuer: CEDA
Bond Counsel: Kutak Rock LLP
Credit Enhancement Provider: Manufacturers and Traders Trust Company
Placement Agent/Remarketing Agent: Manufacturers and Traders Trust Company

RECOMMENDATION:

Staff recommends approval of Initial and Final Resolution No. 08-0006 in an amount not to exceed \$7,000,000 of tax-exempt bonds for Evapco, Inc., which is contingent upon staff analysis and approval of final bond documents, and receipt of bond counsel's opinion and CDLAC allocation approval, as set forth in the Initial and Final Resolution No. 08-0006.

INITIAL AND FINAL RESOLUTION
OF THE
CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING
ADVISORY COMMISSION (CIDFAC)
INDUSTRIAL DEVELOPMENT BONDS
IR/FR #: 08-0006

WHEREAS, California Enterprise Development Authority (the “Authority”) has transmitted the application of Evapco, LLC and/or its affiliates, (the “Applicant”) for the issuance of \$7,000,000 of tax exempt bonds under the provisions of the California Industrial Development Financing Act, and has informed the California Industrial Development Financing Advisory Commission (the “Commission”) that it has adopted a resolution declaring its intention to issue such bonds and that the County of Madera has held a public hearing regarding the issuance of the bonds and has approved the issuance of the bonds by the Authority; and

WHEREAS, the Commission has reviewed the application and the materials submitted with the application.

NOW, THEREFORE, the Commission resolves as follows;

Section 1. The Commission, based on its review of the application and the information submitted therewith, does determine that:

(a) the public benefits from the acquisition of the facility described in the application likely will substantially exceed any public detriment from the issuance of the bonds in the estimated principal amount of \$7,000,000; and

(b) use of the Project described in the application and the operation of the facility described in the application is reasonably necessary to prevent the relocation of

substantial operations of the Applicant from an area within the State of California to an area outside of the State of California.

Section 2. The Commission conditionally finds that the proposed issuance of the bonds qualifies under the provisions of Article 5 of Title 10 of the Government Code, and further finds that:

(a) the bonds will be adequately secured and the funds available to the Applicant will apparently be sufficient to pay the principal of and interest on the bonds to be issued; and

(b) based on its review of the preliminary material submitted to it and as provided for under Government Code Section 91571, the proposed issuance will be fair, just and equitable to a purchaser of the bonds, and that the bonds proposed to be issued and the methods to be used by the Authority in issuing them will not be such as will work a fraud upon the purchaser thereof.

Section 3. The Commission determines that it is appropriate to the proposed transaction that the qualification of the proposed issuance be subject to the following conditions:

(a) that the Bond Counsel Opinion, when ready for execution, be submitted to Commission staff;

(b) that the final legal documents, when ready for execution, be submitted for review by Commission staff. Submitted documents shall include:

- (i) Loan Agreement,
- (ii) Indenture of Trust,
- (iii) Purchase Contract,
- (iv) Bond Resolution,

- (v) Letter of Credit,
- (vi) Other documents which, in the opinion of Commission staff, are necessary to the review of the transaction;
- (c) that the Commission staff determine that the final documents associated with the transaction have been developed in form and content substantially similar to the representations in the application on which the findings under Section 2. above are based;
- (d) that the bonds, when issued, are within the maximum limitation of bonds authorized in the California Industrial Development Financing Act (Section 91573(a) of California Government Code);
- (e) that the Commission receive all applicable fees prior to the issuance of the bonds or that the bond documents indicate that funds are available at closing from the proceeds of the bonds and/or funds provided by the Applicant to pay such fees; and
- (f) that the Applicant has agreed to comply with Section 91533(l) of the Government Code relating to the payment of prevailing wages.

Section 4. This Resolution shall cease to be effective if the above-described bonds have not been issued within six months after the date of adoption of this Resolution.

Section 5. In compliance with the provision of the California Industrial Development Financing Act (Section 91754 California Government Code), the qualification of the proposed bond issue by this resolution is permissive only, and does not constitute a recommendation or endorsement of the bonds so qualified by the Commission.



Mayor Sally J. Bompreszi

Office of the Madera City Council

Phone: (559) 661-5405

Fax: (559) 674-0446

Madera City Council

Mayor
Sally J. Bompreszi

Mayor Pro Tem
Sam Armentrout

Council Member
Gary L. Svanda

Council Member
Robert L. Poythress

Council Member
Steven A. Mindt

January 9, 2008

Ms. Paula Connors
Executive Director
California Enterprise Development Authority
550 Bercut Drive, Suite G
Sacramento, CA 95814
(916) 448-8252 Ext. 102/Fax: (916) 448-3811

Re: Evapco, Inc. Project

Dear Ms. Connors:

I'm writing in support of the application for Industrial Development Bond ("IDB") financing being submitted for the Evapco, Inc. Project.

Evapco is an important member of our local business community. For many years, the company has created high quality, well paying, permanent jobs for many of our most deserving residents. The City of Madera supports this project. We encourage the California Enterprise Development Authority, California Industrial Development Financing Advisory Commission and the California Debt Limit Allocation Committee to approve Evapco's application for IDB financing as quickly as possible to avoid any possible delays with the project and future expansion of their business.

Evapco's project at 1900 West Almond Avenue is zoned for commercial and industrial uses and is ideally suited for Evapco's production operations. Further, adequate infrastructure is in place and no zoning or land use approvals are required for this project. In addition, this site is located in a State-designated Enterprise Zone.

Please do not hesitate to call if you have any questions regarding the project or the support of the City of Madera.

Thank you,

SALLY J. BOMPRESZI
Mayor, City of Madera

C: Madera City Council
City Administrator



**MADERA COUNTY
DEPARTMENT OF SOCIAL SERVICES**

HUBERT (HUB) WALSH, Director

- P.O. BOX 569
- MADERA, CA 93639
- (559) 675-7841
- FAX (559) 675-7603

January 10, 2008

Steve Levake
Plant Manager
Evapco West, Inc.
P. O. Box 959
Madera, CA. 93639

Dear Mr. Levake;

We are aware of your plans in Madera County. We appreciate your interest in identifying job candidates from individuals' participating in our CalWORKs/Welfare-to-Work program. We would encourage Evapco, if you have not already done so, to post position openings on the CalJobs system, as well as share the options with our Welfare-to-Work staff at the Workforce Development Office. These position openings would be available to participants in the CalWORKs/Welfare-to-Work program. Your ongoing commitment to considering job candidates from Welfare-to-Work is appreciated.

We will arrange a time in the coming weeks to schedule a meeting to discuss your possible hiring plans in greater detail. Please do not hesitate to call if you have any questions regarding our programs.

Sincerely,


HUBERT (HUB) WALSH,
DIRECTOR

cc: Susan Arteaga/Cindy Chandler

(HubEvapcoBobbyK)